FIRST NATIONS FORESTRY PROGRAM

The next 5 years

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THE NEXT 5 YEARS

PREFACE

This report has been developed for the Territorial Program Management Committee to provide a framework for future management of the program for the next five years. Special thanks should go Jeff Shechter for providing special insights into the program and its application in the NWT.

We would also wish to acknowledge the Gwich'in Tribal Council for sponsoring the paper on behalf of the NWT Management Committee.

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SITUATIONAL OVERVIEW

A federal report entitled 'The State of Canada's Forests 1997-1998' gives the land area of the Northwest Territories (NWT) as 329 million hectares. Of this, 61.4 million hectares are classified as forestland (18%) of which 137,000 km² has commercial potential--see table below. At its widest, the Boreal Zone is 1000 km wide. In Canada, the Boreal Zone occupies one-third of the landmass. In most of the Boreal forest, the areas, volumes and growth rates of the timber resources are not accurately known.

To date, there has been little commercial development of the forest reserves in the NWT. Forestry ranks third to last among the NWT's 14 industrial sectors. According to Statistics Canada's 1996 GDP statistics, the forest industry contributed $8.1 million to the NWT's GDP and provided full or part time employment for 355 people. By comparison, in Alberta, forestry revenues were almost 500 times greater yet, the area of merchantable timber[1] is only approximately three times greater. In Alberta, forestry ranks 4th in terms of its contribution to the province's GDP.

The following table provides a summary of the economic impact of the forestry industry on the NWT economy benchmarked against Alberta.

Table 1: Alberta-NWT Forestry Industry Comparison

	NWT	Alberta[2]
Forested Area (km²)[3]	137,000	350,000
Annual Allowable cut (m³)	unknown	22,000,000
Contribution to GDP (1996)	8 million	$2 billion
Employment (1996)	355 PY's	18,000
Total revenue –(1996)	$ 4,182,883[4]	$3.6 billion

[1] The GNWT has not determined a maximum allowable cut based on a comprehensive study of the harvestable forest in the NWT.

[2] Economic Impact of the Alberta Lumber Industry, Alberta Forest Products Association, page 1

[3] RWED/Canadian Forestry Service, Inventory Report

[4] The total revenue from the sale of lumber products is estimated using the 1995/6 production of 112,806 cubic meters *average recovery (45%) metric/mbf conversion (.2)* average selling prices (Madison's) converted to Canadian dollars

There are about 15.7 million hectares of land in the three key forest sections, of which about 6.4 million (40%) is productive forest. Of the productive forest, about 3 million hectares (50%) has the potential to produce timber commercial size. Table 1 summarizes these areas.

In the NWT, the most productive areas for future commercial development are found

Table 2: Total Productive Forest Area

Forest Section	Total Land Area (ha)	Productive Forest (ha)	Good and Medium Sites (ha)
Upper MacKenzie	11,153,000	4,498,000	2,249,000
The lower Laird Valley	412,000	231,000	661,000
Hay River-Cameron Hills/Slave River Low Lands	4,156,000	1,653,000	115,000
Total	15,721,000	6,382,000	3,025,000

in three areas:

The good and medium sites shown in table 1 are those which have the potential to produce timber of commercial size. Seven tree species grow on these sites:

- white spruce,
- black spruce,
- jack pine,
- lodgepole pine,
- trembling aspen,
- balsam poplar,
- white birch.

Upper Mackenzie Area

Rowe (1972) describes this section as roughly v-shaped, with the arms extending upstream from the confluence of the Liard and Mackenzie Rivers to the Fort Nelson River and the Lower Peace River. An elongated apex of the v reaches down the Mackenzie River to Norman Wells. It includes a large part of the riverine forest of the Mackenzie drainage, some of the best timber producing land in the NWT.

Excellent merchantable stands of white spruce grow along the flood plain of the Liard River. Scattered lodgepole pine grows with poplar, birch and spruce on rocky slopes and sandy terraces above the Liard. On the higher areas bordering the Slave River, jack pine replaces lodgepole pine. Going North, the amount of balsam, poplar and aspen decreases. The forested bench lands contain mixtures of white birch and white spruce. Black spruce stands are common on slopes as well as in the permafrost muskegs that commonly border the river flood plains.

Throughout this forest section, the alluvial flats are bordered by low benchlands and terraces which in turn give way to undulating or rolling uplands with isolated ridges

and low hills. From south to north the frequency of frozen ground as a normal condition increases. There are large areas of swamp and peat.

Upper Liard section

This section is an irregular area spread along the border between the Yukon Territory and British Columbia. A small part of it lies in the south western part of the NWT, between Trout Lake to the east and the Liard Valley to the west.

Good forest growth is found here. On the alluvial flats, white spruce and balsam poplar often form pure stands. Above the river flood plains the spruce grows with lodgepole pine, aspen and white birch. Black spruce and tamarack grow in low lying sites. Black spruce also grows on the upland soils with white spruce and Lodgepole pine.

Hay River section

This section is the northern extension of the Mixedwood forest. White spruce often grows in mixture with aspen and poplar. Black spruce covers a large part of the land. Jack pine is abundant on the eastern side of the section but less so in the central and western parts. Along the western boundary there is a limited distribution of Lodgepole pine.

In total, the three areas contain about 6.4 million hectares or (40%) of forested areas. Only about 3 million hectares (50%) have the potential to produce timber in a commercial scale.

Scattered areas of timber also occur along the Mackenzie River north of Norman Wells to the Mackenzie delta. These forests are capable of supporting very small-scale community based timber operations, but would not be considered an industrial timber supply for a number of reasons including; the size of the trees, the degree of taper - (the difference between the size at the top and the size at the bottom), distance from market and scale of operation.

In the Slave River lowlands, at least eight different inventory projects were carried out between 1950 and 1990.

In the Cameron Hills area the most recent forest inventory was completed in 1986.

Potential Value of Commercial Harvest

A draft report commissioned by the NWT "A report entitled "Growth of Forests in Canada" estimates the average annual growth rate for the Upper Mackenzie and Lower Liard forest sections to be 1.3 cubic meters per hectare per year for good and medium sites and 1.0 meters per hectare for the Lower Slave and Cameron Hills[5]." These growth rates are called by Foresters "Mean Annual !ncrement" or MAI. For example, a 150 year old spruce stand having 150 cubic meters per hectare of timber would have a MAI of 1.0 cubic meters per year.

The commercial value of existing surveyed areas is illustrated below:

Table 3: Potential commercial value of NWT Forest

		% Utilization of estimated harvesting land base (ha)				
	MAI	70%	80%	100%	110%	120%
LowerLaird Valley	**1.25**	73,000	82,125	91,250	100,375	109,500
Cameron Hills	**1.0**	11,200	12,600	14,000	15,400	16,800
Slave River Lowlands	**1.0**	12,800	14,400	16,000	17,600	19,200
Total m^3		97,000	109,125	121,250	133,375	145,500
Value $ (000)		**$10,101**	**$11,364**	**$12,270**	**$13,889**	**$ 15,163**

Notes:

1. Commercial value is determined by dividing the total volume in cubic meters by a (MBF/cubic meter) conversion factor of 4.5 (average for Alberta Mills)
2. MAI is the mean annual increment or the sustainable volume that can be harvested in an average year. The MAI growth rate is calculated by dividing the volume per hectare of timber in a stand by its age.
3. White Spruce represents approximately 75% of the total timber harvested in a year.

It is clear that most of the commercial timber potential is located in the Laird River Valley. Only 5-10% of the NWT's forests have been surveyed. The actual potential value may be considerably greater.

[5] "Enhancement of the NWT Forests" Sterling Wood Group Inc.

Actual Harvest

In (1996), the total sales from wood products (raw logs and dimensional timber) from NWT forests were valued at $4.1 million dollars. This is less than 25% of the potential value.

Region	1992/93 volume (m^3)	1993/94 volume (m^3)	1994/95 volume (m^3)	1995/96[4] volume (m^3)	1996/97 volume (m^3)	1997/98[3] volume (m^3)	Total Volume (m^3)
Inuvik	856	520	1,160	711	463	2,224	5,934
Sahtu	175	461	539	1,419	936	1,623	5,153
North Slave	7,557	5,574	6,346	3,144	2,860	3,000	28,481
South Slave	16,948	7,996	9,209	7,727	12,918	9,601	64,399
Deh Cho	6,376	8,904	11,063	6,173	2,090	3,365	37,971
Yearly Total Volume (m^3)	31,912	23,455	28,316	19,174	19,267	19,813	141,938

Over the five-year period from 1991-98, operators in the Lower Laird Valley harvested less than one year's allowable cut. A conservative estimate of the merchantable timber available in the three areas cited above on an annual basis is over 97,000 cubic meters.

The industry has much potential. But, without major changes it is unlikely that this potential will be realized in the short term.

At the root of the problem is the uncertainty created because of a lack of accepted general development plan between First Nations communities, Government and Industry.

Forest Management

Forestry was transferred to the Government of the Northwest Territories in the early 1990's. In 1998-9, the GNWT budgeted $28.3 million dollars for Forestry Management. An allocation of the GNWT's forestry budget by program is provided below.

Program All numbers in $(000)	HQ	South Slave	North Slave	Deh Cho	Sah Tu	Inuvik	Total
Program Management	9,977	2,649	1,634	117	666	592	16,694
Fire Suppression	8,608						8,608
Forest Development	2,024	314	168	247	110	120	2,983
Total	20,609	2,963	1,802	1,143	776	712	$28,285

Of the funds allocated to forest development About one-third of the GNWT's annual budget for forestry development is allocated to completing inventories. About one-half is allocated to reforestation and other development activities.

The ratio of total government expenditures on the forestry program to the GDP output for forestry is 3.5:1—the industry contributes approximately 8 million to the GDP. The high government investment in the industry is a function of the industry being in its early stages of development.

It is generally assumed that better and more extensive inventory data will lead to expansion of timber output from the NWT's forestry resources. However, the lack of inventories is only one of the two major problems facing the industry. The other is the lack of a general development plan that is agreed to by all parties. Programs such as the First Nations Forestry Program can be critical in bridging the information gaps and putting the major stakeholders on an equal footing in developing future plans.

Nevertheless, data on the economic value of forestry reserves is important. Without this data, it will be difficult to determine the appropriate scale and technology needed to ensure long-term viability.

Constraints

Information is only one of the inhibiting factors. Other factors include:

- Lack of an integrated resource plan
- Lack of a consensus from First Nations communities on priorities for forestry development;
- Lack of a skilled labour pool. NWT producers operate at a 45% efficiency rating. The Alberta industry standard for lumber recovery factor (LRF) of 190 board feet (bf) per cubic meter for small mills is 57% efficiency. Alberta has established a standard of 57% for small mills (less than 137k cubic meters) or 38 mbf. —T.M. Thomson & Associates, Lumber Recovery Study;
- High costs of doing business; and
- Uncertain markets.

Each of these constraints is discussed in greater detail below:

Integrated resource plan

The full potential of the industry is unknown. Some inventory studies have been done but no comprehensive study has been undertaken to determine the total potential hectares of merchantable timber. This is in contrast to most other jurisdictions where most of the forested region has been mapped and inventoried.

Federal-Provincial forestry agreements have been very important in the development of Canada's forestry resources, in other jurisdictions, but much less so in the NWT.

Integrated resource plans are used as the primary reference in preparing long-range management plans and annual operating plans. Inventories are also used to establish Annual Allowable Cut (AAC). The AAC is essential for planners in determining the appropriate scale and technology to be used in developing the industry.

Community and Regional Consensus on Development of the Industry

The industry can only progress with the support of regions and communities dependent on it. In the absence of an integrated resource planning process, First Nation communities and regions have little opportunity to assess and discuss the costs and benefits of developing the forestry industry. The Department of Resources, Wildlife and Economic Development is not implementing a process.

Knowledgeable and Experienced Harvesters and Foresters

The best information available does not build an industry; people do. Skilled and experienced foresters, loggers, and mill workers using the appropriate technology build the industry. In the south, the industry has adopted strict guidelines for maximizing the utilization of the resource while ensuring sustainability.

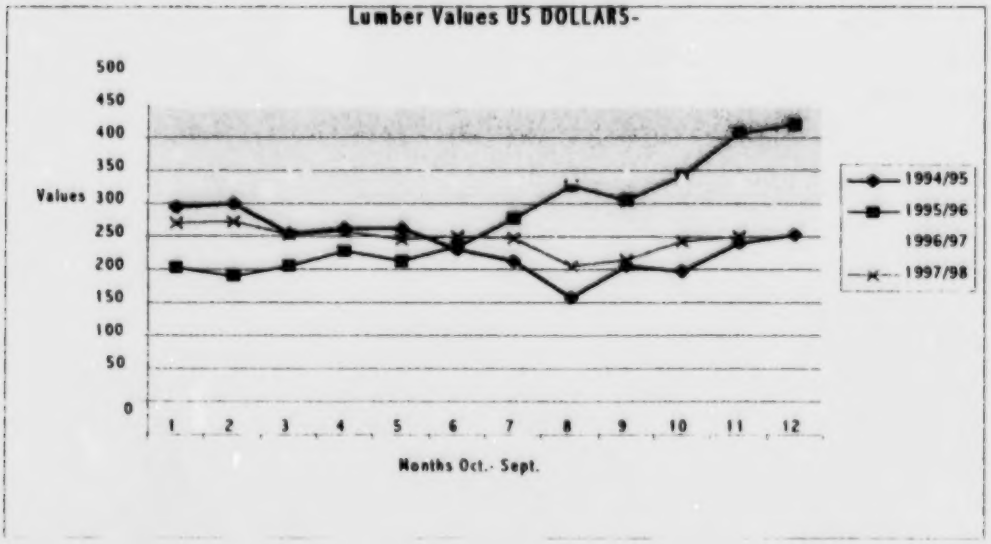
In addition to having the right skills, future foresters in the NWT must have the right attitude. That means the ability to understand and accept that the commercial exploitation of NWT forests must be weighed against "First Nations" traditional use and the fact that there may be other resources and priorities other than forestry development.

High Cost of Doing of Business

In Alberta it costs on average $/C 280 to produce 1,000 board feet (mbf) of lumber. In the NWT, the costs (based on the Fort Resolution Saw Mill costs) can range from $/C320/mbf to over $/C600. Costs are higher in the NWT for a number of reasons. However, the three biggest reasons are limited access to skilled forestry workers, limited opportunities for economies of scale and outdated harvesting practices and equipment. To achieve economies of scale, companies require tenure or berths or cutting licenses of sufficient volume and duration to harvest efficiently, and to generate the capital required to invest in modern technology.

Uncertain Markets

Like their southern counterparts, companies in the north are not insulated from the large swings in lumber prices. According to the Madison lumber index, lumber prices are on the upswing as a bundle of (2x4)'s are trading around $ /US 320 or $448



Canadian. However, prices have been as low as $350 Cdn in 1997/98. Few, if any of the NWT producers can make money at that price.

FIRST NATIONS FORESTRY PROGRAM-OVERVIEW

Purpose

The purpose of the First Nations Forestry Program is "to improve economic conditions in status Indian communities with full consideration of the principles of sustainable forest management."

Objectives

The programs objectives are:

1. To enhance the capacity of First Nations to operate and participate in forest-based businesses and to increase the number of long-term jobs in forestry for First Nation members;
2. To increase cooperation among First Nations and promote partnerships with private commercial harvesters;
3. To investigate the feasibility of trust funds, capital pools, or other similar mechanisms for financing First Nation forestry development; and
4. To enhance the capacity of First Nations to sustainable manage reserve forests.

It is clear that increasing the commercial value of forest resources lies at the heart of the FNF Program. To date, it would appear that most projects approved in the NWT related to Objectives 1 and 4.

The Regional Office of the Canadian Forest Service (Edmonton) advises that Objective 3 is national in scope and that projects related to it have not been undertaken specifically in any of the regions.

The application to "reserve" forests has been applied liberally to include all forested lands in the NWT, used traditionally by First Nations.

Program Management

The National Management Committee oversees and provides overall direction to the Program across Canada. The NMC has three members; one each from the Canadian Forest Service and Indian and Northern Affairs Canada; and one representative of the First Nations. A First Nations Forestry Program Advisory Group was established in October 1996 to provide greater input from First Nation representatives from all regions.

The Canadian Forestry Service has the responsibility for delivering the FNFP in all provinces and the NWT (INAC has program delivery responsibility only in the Yukon). The NWT is included with Alberta, Saskatchewan and Manitoba and is administered from the CFS Regional Office the Northern Forest Centre in Edmonton.

The FNFP is coordinated in the NWT by a Territorial Program Management Committee. The stakeholders represented are shown below:

Government		First Nations
Federal Government		Deh Cho First Nation
	Canadian Forest Service (Natural Resources Canada)	Dene Nation
	Indian and Northern Affairs	Dogrib Treaty 11 Council
GNWT		NWT Treaty 8 Tribal Council
	Resources, Wildlife and Economic Development	Gwich'in Tribal Council
		Sahtu Tribal Council

Scope of Approved Projects

While most projects have been community specific, some have been region-wide or NWT-wide in scope. It is noteworthy that although the Evaluation Guidelines for FNFP Proposals for the NWT state that "under normal circumstances, only one project shall be funded for each First Nation", the Dene Nation and the Gwich'in Tribal Council each were funded for two projects in 1997/98. It is more appropriate in the north that the allocations be based on geophysical boundaries of the forests. Areas such as the Deh Cho and Lower Slave include several communities and the forested areas covers thousands of square kilometers.

In the first years of the programs all regions received some funding under the program. However, it is noteworthy that no applications were received in two of the areas with the most forestry development potential-The Laird and Lower Slave regions. Rather, funding was allocated to the Tribal Councils representing these geographic areas.

Success rates of projects Approved in NWT Compared to Approvals in Provinces

In 1997/8, the NWT applicants received $125,000. This represents 2.4% of the total amount of funds available in the program (see table below). "Total value" refers to the total amount of dollars committed to the project by all partners.

In 1997/98, of the ten project applications (see Appendix A) submitted in the NWT, eight were approved--an 80% approval rate. Approval rates were 100% in Nova Scotia, Newfoundland, and Prince Edward Island. In Newfoundland and Prince Edward Island only one project application was submitted in each case. Quebec was the only other jurisdiction with a higher approval rate (85%) than the NWT. British Columbia had the lowest rate approval rate (38%). Approval rates are a function of the number of applicants and the dollars available. Better promotion would lower approval rates in the NWT, all other factors being equal.

All funds in $(000)	1996/7	1997/8	1998/99	1999/01	2000/01
NWT	166.6	125.0	113.6	102.3	91.0
All provinces/territories	5,516.0	5,225.0	4,750.0	4,275.0	3800.0
NWT share of total funding (%)	3.0	2.4	2.4	2.4	2.4
Headquarters	384.0	275.0	250.0	225.0	200.0
Total	5,900.0	5,500.0	5,000.0	4,500.0	4000.0

Person Weeks/ Years of Employment from Projects in NWT

In 1997/98 13,892 person-weeks were created by all FNFP projects in Canada; of this total, only an estimated 37 person-weeks were created in the NWT. At this stage in the program, the analysis of indirect benefits such as savings in social assistance resulting from employment on a project, additional spending in communities, etc. has not been undertaken.

Partnership Contributions

The FNFP requires substantial cost-sharing by First Nations and other funding partners. The First Nation applicant is encouraged to seek out other funding sources.

The following table shows the partnership contribution levels for the NWT and the provinces in 1997/98:

	FNFP Funding	Partner Funding	% Partner Share
B.C.	1056.0	2331.8	68.8
Alberta	487.1	622.9	43.8
Sask.	427.3	446.5	51.0
Manitoba	368.1	577.3	61.0
Ontario	1149.9	2729.6	70.3
Quebec	1001.1	4087.0	80.3
N.B.	259.5	803.6	75.6
PEI	15.0	9.2	38.0
Nova Scotia	201.0	195.0	49.2
Nfld.	15.0	7.5	33.3
NWT	125.0	139.5	52.7

Project Approval

The Territorial Program Management Committee reviews and approves all FNFP project applications within the NWT. Decisions are made on the basis of "consensus". The Committee uses a one-page set of evaluation guidelines for evaluating project proposals. In summary, the guidelines:

- Require that only one of the four program objectives need be addressed by the proposed project;
- Give higher priority to project proposals that offer greater potential to create long-term partnerships;
- Require a minimum First Nations cash or in-kind contribution of 50% (in 1999/2000 the percentage is lower in years 1-3) of total project cost, in addition to any third party funding, with the understanding that First Nation contributions will increase in future years of the FNFP. (20%, 30%, 40%, 50%, 60% in years 1 through 5.

PROGRAM ASSESSMENT

With the exception of two projects, all the projects in the NWT in 1996/97 and most of the projects in 1997/98 address objective # 4 (sustainable forest management). The exceptions are the Dene Nation, "FNFP review workshop" (valued at $11,600) and the Dogrib Treaty 11 "crew-boss training-forest fire suppression", valued at $62,900. This latter project is arguably assignable to Objective 1 (enhancement of capacity of First Nations to operate/participate in forest-based businesses).

Criteria used to evaluate effectiveness of projects

To date, the Territorial Program Management Committee has not established detailed criteria to evaluate the effectiveness of projects undertaken under the FNFP. The CFS Office in Edmonton advises that the Committee has primarily relied on the process of holding a year-end review of all projects; at this review, the First Nation representatives administering each project, report on project accomplishments and results are informally compared.

In the absence of applications, most applications are being approved. With better promotion of the program, it is conceivable that more applications will be received and hence it will become necessary to establish more specific criteria related to desired outcomes.

Factors other than promotion may be a factor in the limited number of applications received. One in particular, the 50% equity requirement may limit applications where minimal recoveries are expected. It can be argued equity restrictions should be lower for applications that enable First Nations to participate in the development of the forest management regime or to participate in inventory studies. Alternatively, equity from other sources should be eligible.

A more formal evaluation process should be considered for the larger applications.

Which programs are considered effective from a national program perspective?

There was reluctance on the part of the CFS Edmonton Office to offer an assessment of the relative effectiveness of projects undertaken in 1996/97 and 1997/98. An independent review of the FNFP for years 1-2 has been completed (Hann-Martin Agfor Inc. report). The CFS maintains that the prime objective of the FNFP is to develop employment opportunities for status Indians; therefore, the role of the program within the overall context of forest management and Territorial economic development strategy is unclear. There seems to be considerable reliance on the committee's to arrive at informal determinations of project effectiveness, but within a narrow strategic focus. Also, being a new program, it is somewhat premature to assess its overall effectiveness at this early stage.

It should be noted that a national CFS article states that "the majority of PTMC's have developed a statement of strategic directions, which, among other things, encompasses the vision of the direction in which a management committee wishes to steer the program over the five-year period" (Jack H. Smyth, "The First Nation Forestry Program", reprinted from *The Forestry Chronicle*, Vol. 74). The NWT Management Committee has developed a strategic direction for the NWT.

The CFS Regional Office suggests that one positive result of the program has been to reduce duplication of program funding by the federal and territorial governments. This is due to the representation on the Territorial Program Management Committee from GNWT RWED.

FUTURE PROGRAM PRIORITIES

Federal

The CFS Regional Office has expressed interest in a greater examination within FNFP of the sources of partnership funding coming from partners (e.g. corporate) other than the First Nation proponents themselves.

Future Program Priorities-Territorial

It is clear that forestry is an emerging industry in the NWT with great potential for growth. It is ironic that for the last decade almost ten times as much has been spent in protecting the forest from fires than has been earned from the sale of wood products. Clearly, this is changing. The Alberta Government earned $78 million in timber fees in 1994. While, the NWT cannot expect to match this. The GNWT has begun to allocate more money to planning for the industry's development.

The Department of Resources, Wildlife & Economic Development priorities in terms of the future development of the forest industry coincide with those of the Federal Government- that is, enhancement of the commercial potential. The GNWT would like to reach a balance where resource revenues (royalties+stumpage fees + corporate & personal taxes) are generally equal to the public expenditures related to forest management. Royalties today are less than $250,000

The four priorities (in order of priority) are listed below:

1. Planning – Resource inventories, commercial evaluation studies, training, consensus building
2. Management – forest fire fighting, silviculture, forest protection
3. Community use applications – community mills producing rough cut lumber that can be used for residential and recreational construction, fire wood – undefined
4. Export based applications – medium scale mills, logging and hauling

First Nations-Priorities

First Nations are not against commercial development of the forest resource. The issues have historically been related to First Nation control and influence over the pace and scale of development, local benefits derived from development and protection for traditional uses. Therefore, it is essential that First Nations become partners in the front end (planning, developing policies and regulations) to ensure their needs are entrenched as part of the licensing and permitting system.

PROGRAMMING

The following principles have been offered as a point of discussion in developing a program framework for the FNFP by the management committee in the NWT.

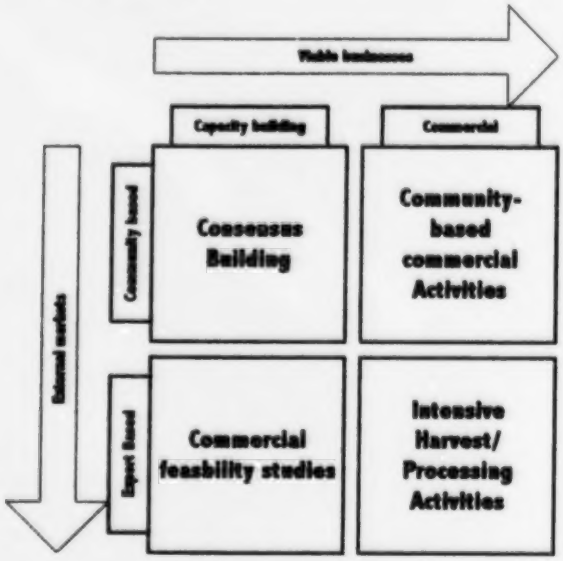
Principles

1. Strengthened First Nation-Government partnership in planning the future development of the industry,
2. Adherence to and respect for the environment, the resource and traditional values,
3. Equity requirements should reflect the risk and potential for return,
4. Collaboration and cooperation in determining funding priorities between Government and First Nations,
5. Expenditure congruence – ensuring that public and private dollars are directed to the same set of priorities.
6. Inclusiveness – First Nations Corporations should be involved in all phases of the industry's development,
7. Opportunity for capacity building –training, and business infrastructure
8. Continuity – program support should reflect the life cycle of the industry.
9. Priority should be given to areas (like the Lower Laird) where competing resources pressures (oil & gas, forestry and mining) are the most intense.

It is essential now more than ever that there be a convergence of expenditures between the Governments, First Nations, and Corporations to ensure that all stakeholders work together to develop a common vision for the future development of the industry.

Program Framework

The foundations for the future development of the industry in the NWT are now being set. The opportunities surrounding the development can be divided into the four expenditure envelopes shown below:



ENVELOPE # 1: CONSENSUS BUILDING – Projects in this envelope would be directed to two types of objectives. The first objective would be to enable First Nations to fully participate in studies and consultations related to the industry's development framework (policies, regulation, development programs). The second objective would be to enable First Nations to actively participate in forestry management activities by seeking out joint venture business partners to compete for various aspects of the management work being contracted out by the GNWT or private operators.

- **Program resources**: $50,000/year in year one diminishing in equal increments to $10,000/year in year 5.
- **Maximum FNFP funding:** 75% of eligible expenditures. FN equity required--10%
- **Eligible expenditures:** travel and accommodation expenses, research
- **Potential funding partners** – GNWT

ENVELOPE # 2: COMMUNITY BASED COMMUNITY ACTIVITIES – Eligible projects would include; resource management plans for forested areas around communities; and capital expenditures related to commercial harvest & milling.

- **Program Resources**: $100,000 in year one. The budget should b e split 50:50 between community resource plans and community based harvesting-milling activities. In year 2 that ratio would decline to a 40:60 ratio; in year 3, to 30:70; in year 4, to 20:80 and in year 5 to 10:90. That is, 10% would be allocated to management plans and 90 % to developmental activities.
- **Maximum FNFP funding:** 50% of eligible expenditures. FN equity required: 10% for studies and 25% for community based forest industry initiatives. The remainder should come from the GNWT.
- **Eligible Expenditures:** Community forest management plans, pilot projects and small capital (excluding snowmobiles & ATV's)
- Funding Partners-GNWT providing for wage subsidies or training.

ENVELOPE 3: COMMERCIAL FEASIBILITY STUDIES – the program would provide for commercial assessment of intensive harvesting/processing activities.

- **Program Resources:** $50,000 per year
- **Maximum FNFP funding:** 75% of eligible expenditures. FN equity required: 10%
- **Eligible Expenditures:** Feasibility studies or due diligence in respect to future partnerships

ENVELOPE 4: INTENSIVE HARVESTING/PROCESSING ACTIVITIES – the last envelope would enable First Nations Development Corporations to participate in intensive resource development activities, independently or in partnership with commercial foresters

- **Resources Allocated:** $25,000 in year 1, increasing by $25,000/year to $125,000 in year 5.
- **Maximum FNFP funding** – 50% of eligible costs. FN equity 25%
- **Eligible Expenditures**: Business formation costs, capital purchases, long term development plans, annual cutting plan, applications for cutting rights, etc.

5 year Budget Plan

Program Envelop	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Consensus Building	$50,000	$40,000	$30,000	$20,000	$10,000	$150,000
Community Initiatives						
a) Resources plans	$50,000	$40,000	$30,000	$20,000	$10,000	$150,000
b) Capital	$50,000	$60,000	$70,000	$80,000	$90,000	$250,000
Commercial Feasibility studies	$50,000	$50,000	$50,000	$25,000	$25,000	$200,000
Intensive Commercial activities	$25,000	$50,000	$75,000	$100,000	$125,000	$375,000
a) Business studies						
b) Capital						
Total	$225,000	$240,000	$255,000	$270,000	$285,000	$1,025,000

SUMMARY AND RECOMMENDATIONS

It is recommended that be First Nation Forestry Program be extended for five years based on the budget presented above.

Programs, such as the First Nations Forestry Program are vital in narrowing the information gap to allow first nations to fully participate in the development of their forestry resources.

The industry in the NWT is in its infancy. Much of the NWT forest resources have yet to be inventoried, and the regulatory system is still under development. The GNWT has given priority to developing the commercial potential related to the forestry. It is essential that First Nations communities are involved from the very beginning.

An envelope funding approach has been recommended to ensure that a balance is achieved between industry development initiatives and commercial development. A five year program cycle is recommended with the first years the budget being weighted towards industry building initiatives, gradually shifting towards commercial development initiatives in the latter years.

In the next four years it is expected that the GNWT will spend more 100 million dollars in developing or protecting the forestry industry. A 1 million dollar FNFP program will ensure that First Nations are actively involved in the development of the NWT's Forestry resources.

APPENDIX A

Table 1: 1996/7 Project approvals

Recipient (1996/7)	Project	Total Value	% of NWT Total Value
Deh Cho First Nation	Forestry Program Planning Workshop	$14,000	9.7
Dene Nation	NWT attendance at Aboriginal Forestry Conference '97 (Vancouver)	$18,900	13.1
Dogrib Treaty 11 Council	Workshops on sustainable development and FNFP	$39,400	27.4
Gwich'in Tribal Council	Community survey (Fort McPherson) promotion packages, community workshops	$31,000	21.5
NWT Treaty 8 Tribal Council	Organization of consultation sessions on forest resources	$20,000	13.9
Sahtu Dene Council	Workshop on regional forest management practices	$20,600	14.3
	Total	$ 143,900	

Table

Recipient (1997/8)	Project	Total Value	% Total Value
Akaitcho Territory Tribal Council Treaty 8 Tribal Council	Geographic Information System Development	$16,800	8.8 %
Dene Nation	Coordination of attendance at Aboriginal Entrepreneurship in Forestry Conference	$14,800	7.8%
Dene Nation	FNFP project review workshop	$11,600	6.1%
Dogrib Treaty 11 Council	Crew-boss training-forest fire suppression	$30,800	16.2%
Gwich'in Tribal Council	Regional forestry workshop	$28,500	15.0%
Gwich'in Tribal Council	Eco-forestry training for community representatives	$24,900	13.1%
Liidlii Kue First Nation (Deh Cho)	Traditional land use and occupancy mapping	$62,900	33.1%
	Total Value	$190,300	